LT in Focus
And yet it moves! Or does it?

Starting from 1 January 2019 movable property would be exempt from taxation.

It creates a shortfall in the regional fiscal revenues, which have been estimated by Minister of Finance Anton Siluanov at up to RUB 181 billion.

This, in turn, may lead to more litigations over the tax authorities’ attempts to classify movable property as immovable to collect more tax.

These concerns have been supported by court practice this year.

Two cases awarded to taxpayers
The taxpayers succeeded in defending the classification of the following property as movable:

- Office centre utilities (Case No. A35-2727/2017)
- Production unit equipment (Case No. A44-10247/2017).

Six cases awarded to tax authorities
The courts recognized the following assets as immovable property:

- Production unit equipment (Case No. A05-879/2018)
- Thermal plant equipment (Case No. A29-4430/2018)
- Transformer (Case No. A40-193258/2016)
- Pipeline; gas pipe (Case No. A40-176218/2017)

We anticipate more litigations after 1 January 2019.

Our recommendations
We recommend that the companies:

- review the information on fixed assets recorded as movables
- establish the movable/immovable property criteria
- identify property with disputable classification
- for borderline cases, prepare defence against the tax authorities’ potential claims and consider engaging subject-matter experts

The classification of fixed assets is often out of scope for tax managers and requires engagement of lawyers and capital project experts.

Capital project experts will analyze the design and technical documentation to validate such criteria as permanent attachment to the earth and possibility to move property without destroying or altering it.

Our multifunctional team brings together tax, legal and capital project experts with solid hands-on experience in the field that would be glad to assist you in this matter.
Our team

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